

TITLE II VALUE ADDED TAX

CHAPTER 1 IMPOSITION OF TAX

SEC. 201. TAX IMPOSED.

(a) GENERAL RULE. — A tax is hereby imposed on each taxable transaction.

(b) AMOUNT OF TAX. — Except as otherwise provided in this title, the amount of the tax is 15 percent of the taxable amount.

CHAPTER 2

TAXABLE TRANSACTION; TAXABLE PERSON

SEC. 211. TAXABLE TRANSACTION.

(a) **IN GENERAL.** — Except as otherwise provided in this title or in regulations, the term “taxable transaction” means —

(1) the supply of goods or a service, where the place of supply (determined under chapter 6) is Progresa,

(2) the importation of goods for use or consumption in Progresa, and

(3) the exporting of goods or a service for use or consumption outside of Progresa.

(b) **ADDITIONAL REQUIREMENTS FOR SUPPLIES.** — Except as provided in section 214, for a supply to be a taxable transaction under subsection (a)(1) —

(1) the supplier must be a taxable person (within the meaning of section 213), and

(2) the supply must be made in connection with a business (as defined in section 212(e)).

(c) **EXEMPT TRANSACTIONS.** — To the extent provided in regulations, the following transactions shall be exempt from taxation under section 201:

(1) public postal service,

(2) the transportation of individuals within Progresá by a public transportation system,

(3) nonprofit hospital, clinic, medical, and dental services, and the nonprofit supply of medical and dental goods incidental to the performance of such services,

(4) other nonprofit activities in the public interest specified in such regulations,

(5) banking, brokerage, insurance, and other financial services,

(6) the transfer of a business (or part thereof) as a going concern if the transferee is a taxable person with respect to supplies made by the transferred business (or part),

(7) transfers to and from fiduciaries in cases involving debtor-creditor relationships, and

(8) the importing of goods if such importing is free of all customs duties by reason of a duty-free allowance for bona fide travelers or by reason of a procedure for re-exporting.

SEC. 212. DEFINITIONS RELATING TO TAXABLE TRANSACTIONS.

(a) GOODS. — For purposes of this title, the term “goods” means tangible property (whether movable or immovable) other than money.

(b) SERVICE. — For purposes of this title, the term “service” means anything of value other than goods and money.

(c) SUPPLY. — For purposes of this title —

(1) IN GENERAL. — The term “supply” means the act of providing a good or service for a consideration.

(2) SUPPLY OF GOODS. — In the case of goods, the supply may take the form of a sale, exchange, or any other transfer of a right to dispose of the goods as the owner.

(3) SUPPLY OF SERVICE. — In the case of a service, the supply may take the form of the performance of the service, the granting of the right to use goods or intangible property, or any other providing of anything of value that does not constitute a supply of goods.

(4) SPECIFICALLY INCLUDED GOODS. — The furnishing of electricity, gas, water, heating, refrigeration, air-conditioning, and other like items is specifically mentioned as the supply of goods.

(5) SPECIFICALLY INCLUDED SERVICES. — The following are specifically mentioned as included among the acts constituting supplies of services:

(A) the leasing of (or other grant of the right to use) goods, and

(B) the sale, transfer, assignment, or licensing of patents, copyrights, trademarks, software, and other proprietary information.

(6) ILLEGAL ACTIVITIES. — A supply of goods or services that involves a breach of the laws of Progresa or of another country shall be subject to tax under this title to the same extent as a lawful supply.

(d) SUPPLIER AND RECIPIENT. — For purposes of this title —

(1) SUPPLIER. — The term “supplier” means the person who provides the goods or service, and

(2) RECIPIENT. — The term “recipient” means the person who receives the goods or service.

(e) BUSINESS DEFINED. — For purposes of this title, the term “business” means an activity regularly carried on by a person (whether or not for profit) and involving (in whole or in part) the supply of goods or services to other persons for a consideration.

SEC. 213. PERSON AND TAXABLE PERSON.

(a) PERSON. —

(1) IN GENERAL. — For purposes of this title, the term “person” means any of the following (whether resident or non-resident):

(A) a corporation or cooperative,

(B) an organization (whether governmental, non-profit, or for profit) engaged in business,

(C) a partnership or other pass-through, and

(D) an individual or estate.

(2) SPECIAL RULES. — For purposes of paragraph (1) —

(A) in the case of a governmental or non-profit organization, the business engaged in by the organization shall be treated as a separate entity, and

(B) in the case of a pass-through, this title shall be applied as if the pass-through were a corporation.

(b) TAXABLE PERSON. —

(1) IN GENERAL. — Except as otherwise provided in this subsection, the term “taxable person” means any person who is registered or required to be registered under section 241 by reason of having had annual gross receipts from taxable transactions equal to or greater than the small business exemption of PR 100,000 provided by section 241 (c).

(2) TAXABLE PERSON FOR IMPORTED GOODS. — In the case of the importation of goods for use or consumption in Progresá, the term “taxable person” means the importer.

(c) TREATMENT OF EMPLOYEES AND AGENTS. —

(1) TREATMENT OF EMPLOYEES. — For purposes of this title, an employee shall not be treated as a taxable person with respect to activities engaged in as an employee.

(2) TREATMENT OF AGENTS. — For purposes of this title —

(A) Except as provided in subparagraph (B), a supply made by an agent for the agent's principal shall be treated as a supply made by the principal, and

(B) The services performed by the agent for the principal as an agent shall be treated as a supply to the principal by the agent.

SEC. 214. SPECIAL RULES FOR SALES OF IMMOVABLE PROPERTY.

(a) ALL SALES TAXABLE. — Each sale of immovable property located in Progresa shall be subject to tax under this title without regard to —

(1) whether or not the seller is a taxable person, and

(2) whether or not the sale is made in connection with a business.

(b) BUSINESS PURCHASERS ENTITLED TO CREDIT. — If a taxable person (in connection with the purchaser's business) purchases immovable property in a transaction on which tax is payable under this title, the purchaser shall be entitled to a credit under section 231,

(c) SUBSEQUENT SALES BETWEEN NONTAXABLE PERSONS. — In the case of the sale of previously taxed immovable property by one nontaxable person to a second nontaxable person, the purchaser shall be entitled to a

refund in the amount he establishes was paid as tax under this title in connection with the earlier sale to his seller.

CHAPTER 3

TAXABLE AMOUNT; ZERO RATING; WHEN TRANSACTION TAKES PLACE

SEC. 221. TAXABLE AMOUNT.

(a) **GENERAL RULE FOR SUPPLIES.** — Except as otherwise provided in this title, the taxable amount for any supply is the sum of all money, goods, services, and anything else of value flowing (directly or through third persons) to or for the benefit of the supplier in connection with the supply. For this purpose, any consideration other than money shall be taken into account at its fair market value.

(b) **RULES FOR APPLYING SUBSECTION (a).** — In applying subsection (a) to any supply —

(1) all incidental goods and services shall be taken into account,

(2) excise taxes imposed by title III shall be included but the tax imposed by section 201 shall not be included, and

(3) proper adjustment shall be made for any discount, allowance, or rebate granted and taken at the time of supply.

(c) **PRICE READJUSTMENTS AFTER SUPPLY.** —

(1) **IN GENERAL.** — In the manner provided in regulations, in the case of any price readjustment occurring after the supply is made —

(A) the tax under section 201 on the supply shall be redetermined (at the tax rate in effect at the time of supply), and

(B) for the taxable period that includes the date of the price readjustment —

(i) the supplier shall be allowed a credit under section 231 equal to the decrease in the amount of the tax, and

(ii) the recipient shall be treated as being liable for tax under section 201 in an amount equal to such decrease.

(2) PRICE READJUSTMENT DEFINED. — For purposes of paragraph (1), the term “price readjustment” means —

(A) any discount, allowance, rebate, or other change in the consideration for the supply (whether arising from the return or repossession of the goods or a covering or container or for any other reason), and

(B) any debt for part or all of the consideration that has become worthless.

(d) IMPORTS. — For purposes of this title —

(1) IN GENERAL. — The taxable amount for any imported supply shall be its import value.

(2) IMPORT VALUE. — The import value of any supply shall be —

(A) its value for purposes of the customs laws (including insurance and freight) plus all customs duties and excise taxes under title III imposed by reason of importation, or

(B) if there is no value for purposes of the customs laws, the fair market value of the supply at the time of its importation (after payment of such duties and taxes).

(e) FAIR MARKET VALUE. — For purposes of this title, the term “fair market value” means the value that would be arrived at at the place of supply in negotiations between a supplier and recipient who had no relationship to each other.

SEC. 222. ZERO RATING FOR EXPORTS.

The rate of tax imposed by section 201 shall be zero with respect to goods and services exported from Progresa for use or consumption outside of Progresa and with respect to goods and services incidental to the goods and services so exported.

SEC. 223. METHOD OF ACCOUNTING; WHEN TRANSACTIONS TAKE PLACE.

(a) METHOD OF ACCOUNTING. — Unless regulations permit the taxable person to use the cash method of accounting, the taxable person shall use the accrual method of accounting for purposes of this title.

(b) ACCRUAL METHOD. — Except as otherwise provided in the regulations, under the accrual method a supply takes place on the earlier of —

(1) the date when the supplier issues an invoice for the supply, but

(2) the last day for issuing the invoice under section 235(c).

(c) CASH METHOD. — Except as otherwise provided in regulations, under the cash method a supply takes place when the supplier receives the consideration for the supply.

(d) IMPORTS OF GOODS. — In the case of the importation of goods, the transaction takes place when the goods are at the disposal of the importer according to the customs laws of Progresa.

(e) CHANGE OF RATE. — In the case of a change in the rate of tax, regulations shall establish the time when transactions are treated as taking place.

CHAPTER 4

CREDIT; REFUNDS; INVOICES

SEC. 231. VAT ON INPUTS CREDITED AGAINST TAX.

(a) **GENERAL RULE.** — There shall be allowed to a taxable person as a credit against the tax imposed by section 201 the aggregate amount of tax under such section which —

(1) is payable in connection with the receipt by such person of goods and services that are used in such business, or

(2) has been reported by such person as the importer of goods and services that are used in such business.

(b) **TIME WHEN CREDITS ARE ALLOWABLE.** — Except as otherwise provided in regulations, a credit shall be allowable under subsection (a) —

(1) in the case of an accrual method taxpayer, when the taxpayer receives the related invoice or customs documents, or

(2) in the case of a cash method taxpayer, when the taxpayer has paid for the goods and services.

(c) **USE PARTLY FOR NONTAXABLE TRANSACTIONS.** — If goods or services are used partly for taxable transactions and partly for nontaxable transactions, the credit shall be allowed only for the portion used for taxable transactions. The preceding sentence shall not apply to any taxable period if for such period the nontaxable portion does not exceed 5 percent of the sum of the taxable and nontaxable portions.

(d) LIMITATION OF CREDIT FOR GOODS THAT CAN BE USED FOR PERSONAL PURPOSES. — To the extent and in the manner provided in regulations, the credit under subsection (a) may be reduced or denied for any passenger automobile, airplane, boat, or computer, or any other item that can be used for personal purposes as well as for business purposes.

(e) GOODS THAT CEASE TO BE USED FOR TAXABLE TRANSACTIONS. — If goods for which a credit has been allowed under subsection (a) cease to be used for taxable transactions before the end of their useful life, the goods shall be treated as sold at the time of such cessation for the then fair market value.

(f) CREDIT IN CASE OF CERTAIN USED GOODS. — In the case of a taxable person who regularly resells used goods purchased from consumers, regulations may provide for a credit (to the extent and in the manner provided by such regulations) that will have the effect of limiting the taxable amount to an approximation of the dealer's margin.

(g) DOCUMENTATION REQUIRED. — No credit shall be allowed under this section unless the claim therefor is substantiated by such documentation as may be required by regulations.

SEC. 232. TREATMENT OF EXCESS CREDITS.

If for any month a taxable person's credit under section 231 exceeds such person's liability for tax under section 201 for such month —

(1) the excess shall be credited against any outstanding liability of such person under this title for prior months, and

(2) the remainder of the excess shall be treated as a credit under section 231 arising in the succeeding month.

SEC. 233. REFUNDS FOR EXPORTERS.

(a) ENTITLEMENT. — Any taxable person whose export ratio for a month is 20 percent or more and who files a claim for refund on or before the 20th day after the close of such month shall be entitled to a refund for such month.

(b) AMOUNT OF REFUND. —

(1) EXPORT RATIO OF AT LEAST 80 PERCENT. — If the taxable person's export ratio for a month is at least 80 percent, the amount of the refund shall be 100 percent of the remaining excess credit for such month determined under section 232(2).

(2) EXPORT RATIO BETWEEN 20 AND 80 PERCENT. — If the taxable person's export ratio for the month is at least 20 percent but not more than 80 percent, the amount of the refund shall be determined by applying the export ratio to the remaining excess credit for such month determined under section 232(2). Any balance not refunded shall be treated as a credit under section 231 arising in the succeeding month.

(c) EXPORT RATIO DETERMINED. — A person's export ratio for a month is the ratio which such person's export taxable supplies for such month (determined under section 222) bear to such person's aggregate taxable supplies for such month.

SEC. 234. REFUNDS WHERE EXCESS CREDITS

CONTINUE FOR 6 MONTHS OR MORE.

(a) FILING OF CLAIM. — If for a continuous period of 6 months or more a taxable person has excess remaining credits under section 232(2), then such person may file a claim for refund for such 6th month or for any later month in the continuous period. To be effective for any such month, the claim must be filed before the 20th day after the close of such month.

(b) EFFECT OF FILING CLAIM. — In the case of any eligible claim filed under this section, the taxable person shall be entitled to a prompt refund of 100 percent of the remaining excess credit for the month concerned determined under section 232(2).

SEC. 235. INVOICES.

(a) SUPPLIER MUST GIVE RECIPIENT INVOICE. — Except as provided in subsection (d) or in regulations, any taxable person engaging in a taxable transaction shall give the recipient of the goods or service an invoice.

(b) CONTENT OF INVOICE. — The invoice required by subsection (a) with respect to any transaction shall set forth —

(1) the name and registration number of the supplier,

(2) the name of the recipient (or recipient's employee or agent),

(3) the nature of the supply,

(4) the amount of the consideration,

(5) the amount of the VAT,

(6) the date the invoice is issued, and

(7) such other information as may be required by regulations.

(c) TIME FOR ISSUING INVOICE. — The invoice required by subsection (a) shall be issued not later than the 10th day after the earlier of —

(1) the date the goods are shipped or the service performed, or

(2) the date of payment.

(d) DOCUMENTATION IN CERTAIN RETAIL TRANSACTIONS. — In the case of supplies at retail where most of the recipients are not taxable persons, to the extent provided in regulations the invoice requirement of subsection (a) can be deemed satisfied if the supplier gives detailed cash register receipts or other prescribed documentation.

(e) IMPORTS OF GOODS. — In the case of an import of goods, completion of the appropriate customs form certifying payment of the VAT shall be used as the control document for establishing eligibility for credit.

CHAPTER 5

COLLECTION OF THE TAX

SEC. 241. REGISTRATION.

(a) **IN GENERAL.** — The Tax Administrator shall establish and maintain a registry which contains a list of all taxable persons.

(b) **REGISTRATION NUMBERS.** — Each person in the registry shall be given a separate registration number. Except as provided in regulations, the registration number of a person for VAT shall be the same as the taxpayer identification number assigned under section 516.

(c) **REQUIREMENT OF REGISTRATION; SMALL BUSINESS EXEMPTION.** —

(1) **IN GENERAL.** — Each person who, for any period of 12 consecutive calendar months (or lesser period), has gross receipts from taxable transactions equal to or greater than PR 100,000 is required to register under this section as a supplier.

(2) **WHEN REGISTRATION MUST BE MADE.** — The registration required by paragraph (1) shall be made on or before the 20th day following the close of the first period for which the requirements of paragraph (1) are met.

(3) **EFFECTIVE PERIOD OF REGISTRATION.** — The registration of any person under this section shall remain in effect from the beginning date specified in regulations

to the termination date specified in a cancellation determination under paragraph (5).

(4) VOLUNTARY REGISTRATION. — A person not required to register under paragraph (1) may elect to register as a supplier. Such election shall remain in effect until cancelled as provided in paragraph (5).

(5) CANCELLATION. — The registration of a person under this section shall be cancelled when it has been established —

(A) that the person has ceased to exist, or

(B) that the person has been registered for at least 24 consecutive calendar months and that during the most recent 12-month period the person's gross receipts from taxable transactions are less than PR 100,000.

(6) SUPPLIER MUST BE REGISTERED FOR RECIPIENT TO RECEIVE INPUT CREDIT. — No credit shall be allowed to the recipient of a supply for tax paid on the supply unless, at the time of the supply, there is in effect a registration of the supplier under this subsection.

(d) COPIES OF REGISTRATION MUST BE POSTED. — A copy of the registration under this section shall be posted at the principal office of the business and at each branch office.

(e) SPECIAL RULES FOR CERTAIN IMPORTED SERVICES. — In the case of services for which the place of supply under section 252(c) is

Progresa, if the supplier does not have a permanent establishment or registered agent in Progresa, then —

(1) for purposes of this title, the recipient shall be treated as having supplied the services to the recipient,

(2) for purposes of subsection (c)(1) the recipient shall be treated as having received gross receipts (in an amount determined under section 221) from taxable transactions, and

(3) subsection (c)(6) shall not apply for purposes of determining the recipient's entitlement under section 231 for credit with respect to the tax paid with respect to such transactions.

SEC. 242. MONTHLY RETURNS.

(a) **IN GENERAL.** — Except as provided in regulations, every taxable person shall file a return for each month (whether or not VAT is due for such month).

(b) **DUE DATE.** — The return for any month shall be filed on or before the 20th day of the next month.

(c) **PAYMENT.** — Except to the extent that regulations require more frequent payments, the payment of VAT for any month shall be due on the return filing date set forth in subsection (b).

SEC. 243. ASSESSMENT BY THE TAX SERVICE

(a) **IN GENERAL.** — The Tax Service may issue an assessment if —

(1) the taxpayer fails to make a return by the date it is due,

(2) the taxpayer makes an incomplete return or makes a return in the wrong form, or

(3) the amount of VAT shown on the taxpayer's return is less than the amount the Tax Service estimates should have been shown on the return.

(b) WHEN TAX PAYABLE. — The amount due shown in any assessment made under this section shall be paid not later than the date specified in the assessment.

SEC. 244. LIABILITY FOR TAX

(a) TAXABLE PERSON LIABLE. — With respect to any taxable transaction, the supplier shall be liable for the tax imposed by section 201.

(b) LIABILITY OF AGENTS, ETC. — To the extent provided in regulations, any person (other than an employee) making a supply on behalf of the owner and having control of the supply, the proceeds of the supply, or both shall be treated as the taxable person with respect to the supply.

SEC. 245. SPECIAL RULES FOR IMPORTS OF GOODS.

(a) ADMINISTRATION BY CUSTOMS. — Except as otherwise provided in regulations, the provisions of this title insofar as they relate to imports of goods shall be administered by the Customs Administration.

(b) CUSTOMS LAWS MADE APPLICABLE. — For purposes of subsection (a), in addition to the provisions of this Code, all provisions of the customs laws (including penalties) shall apply to the application of this title with respect to imports of goods as if the tax imposed by section 201 were a customs duty levied by the customs laws.

SEC. 246. COORDINATION OF CUSTOMS AND TAX

ADMINISTRATION.

(a) IN GENERAL. — The Tax Administrator and the Customs Administrator shall take such steps as may be necessary to ensure complete coordination of the administration of this title and title III with respect to imports of goods and with respect to transactions where the place of supply is Progresá.

(b) AREAS COVERED. — In carrying out subsection (a), special attention shall be given to the need for common training programs, common regulations, rulings, and forms, common computer and other information systems, and the use of the same registration number for each taxpayer.

(c) ADMINISTRATIVE APPEALS. — In carrying out subsection (a), the Tax Administrator shall prescribe regulations pursuant to which administrative appeals primarily involving the classification or value of imported goods (or the interpretation of customs laws or regulations) will be handled under customs appellate procedures, while administrative appeals primarily involving interpretation of this title or title III

(or of the regulations thereunder) will be handled under the tax appellate procedures provided in sections 571, 572, and 573.

SEC. 247. ADDITIONAL CHARGES FOR VAT OFFENSES.

(a) GENERAL RULE. — If any person commits any of the following offenses with respect to the tax imposed by section 201, the designated tax officer may assess an additional charge in an amount established by regulations but not exceeding PR 1,000 for each such offense:

- (1) a failure to make a timely registration,
- (2) a failure to keep required accounts, or to give timely access to the required accounts,
- (3) a failure to keep any record in the form required,
- (4) a failure to issue a required invoice or other document,
- (5) a failure to file a timely return, or
- (6) a failure to display a copy of the registration in the required manner.

(b) OTHER ADDITIONAL CHARGES AND FINES AND PENALTIES. — For general provisions relating to additional charges, fines, and penalties, see sections 562, 563, and 566.

SEC. 248. SUSPENSION OF BUSINESS.

(a) GENERAL RULE. — If the Tax Administrator determines that on two or more occasions there have been offenses described in section

247(a) by a taxable person, the Administrator may direct a designated officer to lock and seal such person's business (or a designated part thereof) and to keep it closed for a period specified by the Tax Administrator of not more than 7 days.

(b) REAPPLICATION OF SANCTION. — If the Tax Administrator determines that after the reopening of a person's business there have again been two or more offenses described in section 247(a) by such person, the Administrator may direct a designated tax officer to again close the business (or a part thereof) in the manner provided by subsection (a).

CHAPTER 6

PLACE OF SUPPLY

SEC. 251. SUPPLY OF GOODS.

For purposes of this title, the place of supply of goods is —

(1) if the goods are dispatched or transported by the supplier, the recipient, or a third person, the place where such goods are when the dispatch or transport begins,

(2) if the goods are installed or assembled by the supplier, the place where the goods are installed or assembled,

(3) if neither paragraph (1) nor (2) applies, the place where the goods are when the supply takes place.

SEC. 252. SUPPLY OF SERVICES.

(a) **SUPPLIER'S PLACE OF BUSINESS.** — Except as otherwise provided in this chapter or in regulations, for purposes of this title the place of supply for a service shall be the supplier's place of business from which the service is supplied.

(b) **SPECIAL RULES FOR CERTAIN SERVICES.** — Except as otherwise provided in section 253 or in regulations, the place of supply for the following services shall be:

(1) **CUSTOMER IN DIFFERENT COUNTRY.** — In the case of a service listed in subsection (c) for a customer

established outside the supplier's country, the place of the customer's business to which the service is supplied.

(2) CULTURAL, SPORTING, ETC. ACTIVITIES. — In the case of cultural, artistic, sporting, educational, or similar activities, the place where the service is physically carried out.

(3) SERVICES CONNECTED WITH MOVABLE GOODS. — In the case of a service connected with movable goods, the place where the service is physically carried out.

(4) SERVICES CONNECTED WITH IMMOVABLE PROPERTY. — In the case of a service connected with immovable property, the place where the property is located.

(5) TRANSPORT SERVICES. — In the case of a transport service, the place where the transport takes place (having regard to distance covered).

(c) SERVICES ASSIGNED TO CUSTOMER'S PLACE OF BUSINESS. — For purposes of subsection (b)(1), the following services are listed in this subsection:

(1) a transfer or assignment of a copyright, patent, license, trademark, or similar right,

(2) the service of a consultant, engineer, lawyer, or accountant, the processing of data or supplying information, or any similar service,

(3) an advertising service,

(4) the obligation to refrain from pursuing or exercising (in whole or in part) a business activity or right listed in this subsection,

(5) the supply of staff,

(6) the service of an agent in procuring for the agent's principal a service listed in this subsection, and

(7) the leasing of movable goods (other than transport property).

SEC. 253. ANCILLARY SUPPLIES AND SCOPE OF REGULATIONS

(a) **ANCILLARY SUPPLIES.** — Where a supply of a good or service is ancillary to another supply, except as provided in regulations, the place of supply of the ancillary supply shall be deemed to be the same as the place of supply for the main good or service.

(b) **SCOPE OF REGULATIONS.** — The regulations prescribed under this chapter may include such modifications and additions to the foregoing rules of section 252 and this section as may be necessary or appropriate (in the light of the laws of Progres's trading partners) to avoid double taxation or non-taxation of supplies.

CHAPTER 7

MISCELLANEOUS PROVISIONS

SEC. 261. COMMON OWNERSHIP AND GROUP REGISTRATION.

(a) **SMALL TRADER EXEMPTION.** — For purposes of the small trader exemption under section 241(c), businesses under common ownership (as defined in regulations) shall be treated as owned by one person.

(b) **GROUP REGISTRATION.** — Under regulations, a group of taxable persons who are related (as defined in regulations) may, with the approval of the designated officer, be treated for purposes of this title as if the businesses carried on by the members of the group were carried on by one designated member. In any such case each member of the group must undertake to be jointly and severally liable for compliance with the provisions of this title.

SEC. 262. REGULATIONS.

The regulations prescribed under this title shall include regulations setting forth —

(1) the method for assessing the tax under section 243(a) where the taxable amount described in section 221 cannot be ascertained or does not reflect the value the goods or services would have in a transaction between independent parties, and

(2) the adjustments (if any) to be made in the tax and credits for liquidations, insolvencies, bankruptcies, and similar matters.

CHAPTER 8

TRANSITIONAL PROVISIONS

SEC. 271. REGISTRATION.

Section 241 (relating to registration) and section 247 (1) (additional charge for failure to make timely registration) shall take effect on October 1, 1995. The 12-month periods specified in section 241 (c) shall be 12-month periods ending after September 30, 1995.

SEC. 272. CONTRACTS ENTERED INTO BEFORE EFFECTIVE DATE.

(a) APPLICATION OF TAX. — The tax imposed by section 201 shall apply to taxable transactions under contracts entered into before January 1, 1996, if such transactions take place on or after such date.

(b) OBLIGATION OF RECIPIENT. — In the case of any taxable transaction described in subsection (a), any separately stated tax imposed by section 201 shall be treated as additional consideration for the item acquired and as a legal obligation of the recipient to the supplier.

